

Message Text

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INFO OCT-01 AF-10 ISO-00 OPR-02 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

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LAB-06 SIL-01 PA-03 USIA-15 PRS-01 L-03 SSO-00 AGR-20

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R 250841Z SEP 73

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 7316

AMEMBASSY NAIROBI

AMEMBASSY WARSAW

INFO AMCONSUL ZAGREB

LIMITED OFFICIAL USE SECTION 1 OF 2 BELGRADE 4273

PASS SECRETARIES SHULTZ/DENT

E.O. 11652: N/A

TAGS: OVIP, YO

SUBJECT: SECRETARIES SHULTZ AND DENT VISIT: YUGOSLAV DAILY
REQUESTS FOR WRITTEN INTERVIEW

REF: BELGRADE 4242

1. EMBASSY'S SUGGESTED REPLIES TO QUESTIONS FROM PRIVREDNI PREGLED
(YUGOSLAV ECONOMIC DAILY) FOR SECRETARIES SHULTZ AND DENT, MENTIONED
REFTEL, FOLLOW:

QUOTE

A. QUESTION: TRADE EXCHANGE BETWEEN THE U.S. AND YUGOSLAVIA HAS
FAVORABLY DEVELOPED IN THE COURSE OF THE YEAR UP TO NOW. YET SOME
YUGOSLAV FIRMS ARE ENCOUNTERING DIFFICULTIES IN THE U.S. MARKET,
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PARTICULARLY AFTER THE DOLLAR DEVALUATION. WHAT, IN YOUR OPINION,
SHOULD BOTH SIDES DO SO THAT TRADE EXCHANGE BETWEEN THE TWO
COUNTRIES CAN ACHIEVE DIMENSION CORRESPONDING TO MUTUAL POSSIBILITIES
?

AS A DEVELOPING COUNTRY, CAN YUGOSLAVIA EXPECT TO RECEIVE THE
PREFERENTIAL TREATMENT FOR HER EXPORT TO THE U.S. AND WHEN?

ANSWER: FIRST OF ALL WE WISH TO NOTE THAT U.S. YUGOSLAV BI-
LATERAL ECONOMIC RELATIONS HAVE NEVER BEEN BETTER. THERE HAS BEEN A
NUMBER OF SOLID ACHIEVEMENTS THIS YEAR FOR WHICH OUR TWO COUNTRIES
AND PEOPLES CAN BE JUSTLY PROUD. WE LOOK TO THE FUTURE WITH CONFIDENC
E
AND BELIEVE OUR RELATIONS WILL CONTINUE TO EXPAND AND PROSPER.

NOW WE WOULD AGREE THAT TRADE EXCHANGE BETWEEN YUGOSLAVIA AND
THE U.S. HAS DEVELOPED QUITE FAVORABLY SO FAR THIS YEAR - PARTICULARL
Y
YUGOSLAV EXPORTS. IN THE FIRST HALF OF 1973 YUGOSLAV EXPORTS TO
THE U.S. INCREASED 21 PERCENT COMPARED WITH A RISE IN YUGOSLAV
WORLD-WIDE EXPORTS OF 13 PERCENT. FOR THE SAME PERIOD, YUGOSLAV
IMPORTS FROM THE U.S. ROSE BY TWENTY PERCENT WHEREAS TOTAL YUGOSLAV
IMPORTS ROSE 38 PERCENT. THUS, THE U.S. SHARE IN YUGOSLAV TOTAL
TRADE DECLINED FROM 6.2 PERCENT TO 5.6.

THE CURRENT SHARE OF U.S. PARTICIPATION IN YUGOSLAVIA'S TOTAL
TRADE CLEARLY DEMONSTRATES SCOPE FOR CONSIDERABLE EXPANSION. A
NUMBER OF MAJOR PROJECTS ARE UNDER CONSIDERATION WHICH PROVIDE
OPPORTUNITIES FOR U.S. EXPORTS. SPECIFIC EXAMPLES INCLUDE THE KRSKO
NUCLEAR POWER PROJECT, THE PROGRAM FOR EXPANSION OF THE NATIONAL
POWER GRID SYSTEM, MODERNIZATION OF PORT FACILITIES WITH EMPHASIS
ON CONTAINERIZATION (WHERE THE UNITED STATES LEADS THE WORLD)
AND CONSTRUCTION OF THE NAFTAGAS AND PAN-ADRIA PIPELINES. U.S.
EXPORTS ARE COMPETITIVE IN OTHER GENERAL AREAS WHERE LARGE SCALE
EXPANSION IS PLANNED - NEW HYDROELECTRIC AND THERMAL POWER PLANTS,
EXPANSION OF VARIOUS FERROUS METALLURGY THROUGH THE CONSTRUCTION
OF NEW COKING AND STEEL PLANTS, AND NON-FERROUS METALLURGY,
PARTICULARLY THROUGH THE CONSTRUCTION OF NEW COPPER AND ALUMINUM
FACILITIES. IN AGRICULTURE, WHERE YOU ALSO PLAN MODERNIZATION,
THE U.S. AS IS WELL KNOWN, LEADS THE WORLD IN PRODUCTIVITY AND INNOVA
-
TION. WITH U.S. EXPORTS MUCH MORE COMPETITIVE DUE TO CURRENCY
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REALIGNMENTS, U.S. AND YUGOSLAV TRADERS MUST NOW BREAK OUT OF OLD-
ESTABLISHED TRADING CHANNELS AND SEEK MORE BENEFICIAL DEALS IN
TERMS OF PRICE AND TECHNOLOGY. WE HAVE BEEN PLEASED TO NOTE THE
STEPS TAKEN BY THE YUGOSLAV GOVERNMENT TO LIBERALIZE IMPORTS ON
CAPITAL EQUIPMENT WHICH SHOULD BE HELPFUL FOR TRADE EXPANSION AND
ECONOMIC GROWTH.

NOW THE U.S. MAKING EVERY EFFORT TO IMPROVE ITS TRADE AND
PROMOTION PROGRAMS IN YUGOSLAVIA INCLUDING TRADE FAIRS AND TRADE
MISSIONS. WE URGE MORE VISITS BY YUGOSLAV TRADE MISSIONS TO THE U.S.
TO STUDY OUR MARKET, MARKETING TECHNIQUES AND PROCEDURES.

WE RECOGNIZE, OF COURSE, THAT EXPORTS ARE IMPORTANT TO THE YUGOSLAV ECONOMIC GROWTH AND STABILITY. WE BELIEVE THIS COUNTRY WILL DERIVE SIGNIFICANT BENEFITS UPON THE IMPLEMENTATION OF U.S. GENERALIZED PREFERENCE SCHEME COVERING MANUFACTURERS AND SEMI-MANUFACTURERS, AS WELL AS SOME RAW MATERIALS AND FOOD PRODUCTS. PROVISIONS FOR SUCH PREFERENCES ARE CONTAINED IN PRESIDENT NIXON'S TRADE REFORM ACT WHICH IS NOW BEFORE THE CONGRESS.

B. QUESTION: WOULD THE ESTABLISHMENT OF A JOINT OFFICE OF A CHAMBER OF COMMERCE FOR INSTANCE, CONTRIBUTE TO A MORE STABLE AND LONG-TERM COOPERATION OF THE TWO COUNTRIES;

ANSWER: THE IDEA OF ESTABLISHING A YUGOSLAV-AMERICAN CHAMBER OF COMMERCE IN BELGRADE, AND AN AMERICAN-YUGOSLAV CHAMBER OF COMMERCE IN THE U.S. EVOLVED OUT OF VICE PREMIER SIROTKOVIC'S VISIT TO WASHINGTON EARLY THIS YEAR. THE U.S. GOVERNMENT WELCOMES THIS DEVELOPMENT, AND WE LOOK FORWARD WITH GREAT INTEREST TO THE EARLY OPENING AND GROWING ACTIVITIES OF THE TWO CHAMBERS.

WE BELIEVE THAT THE TWO CHAMBERS CAN BE INSTRUMENTAL IN DEVELOPING YUGOSLAV-AMERICAN ECONOMIC RELATIONS IN MANY FIELDS, INCLUDING IMPORTS, AND EXPORTS, JOINT VENTURES, LICENSING, INDUSTRIAL COOPERATION, FINANCING COOPERATION ON THIRD-COUNTRY MARKETS, SCIENCE AND TECHNOLOGY, AND TOURISM.

C. QUESTION: YUGOSLAVIA IS INTERESTED IN USING MODERN U.S. TECHNOLOGY. WHAT HAS BEEN DONE IN THIS RESPECT THUS FAR, IN THE FORM OF AGREEMENTS FOR LONG-TERM COOPERATION AND FOR JOINT INVEST-LIMITED OFFICIAL USE
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MENTS, CAN IN NO WAY BE ASSESSED AS ENOUGH. WHAT SHOULD BE DONE TO AROUSE THE INTEREST OF U.S. BUSINESSMEN FOR SUCH ARRANGEMENTS?. WHAT CAN THE U.S. ADMINISTRATION DO IN THAT DIRECTION?

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R 250841Z SEP 73

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ANSWER: MODERN U.S. TECHNOLOGY IS BEING TRANSFERRED IN A VARIETY OF WAYS. PRINCIPAL INSTRUMENTS OF TRANSFER ARE TRADE AND LICENSING AGREEMENTS, JOINT VENTURES, CO-PRODUCTION, SCIENTIFIC AND TECHNOLOGICAL RESEARCH. YUGOSLAV ENTERPRISES HAVE LICENSING AGREEMENTS WITH APPROXIMATELY 220 FIRMS COVERING ALL SECTORS OF ECONOMY. JOINT VENTURE LEGISLATION IN YUGOSLAVIA IS RELATIVELY NEW AND THE U.S.-YUGOSLAV AGREEMENT PROVIDING INVESTMENT GUARANTEES DID NOT GO INTO EFFECT UNTIL MAY 1973. NEVERTHELESS, THE NUMBER OF JOINT VENTURE AGREEMENTS CONCLUDED THIS YEAR HAS TRIPLED DURING THIS YEAR AND THE VALUE OF U.S. PRIVATE CAPITAL INVOLVED HAS INCREASED SIX TIMES. THE U.S.-YUGOSLAV PROGRAM FOR SCIENTIFIC AND TECHNOLOGICAL COOPERATION COVERS 200 PROJECTS AND LAST YEAR SOME 300 AMERICAN SCIENTISTS CAME TO YUGOSLAVIA IN CONNECTION WITH THESE PROJECTS. THE RECENT AGREEMENT WHICH ESTABLISHED A US-YUGOSLAV JOINT BOARD AND PROVIDING FOR JOINT FUNDING WILL PUT THESE PROGRAMS ON A LONG-TERM INSTITUTION-TO-INSTITUTION BASIS AND FACILITATE TECHNOLOGY TRANSFER.

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A SIGNIFICANT PORTION OF TECHNOLOGY REQUIRED IN THE DEVELOPMENT PROCESS IS, OF COURSE, EMBODIED IN IMPORTED CAPITAL EQUIPMENT. TRANSFER IS EFFECTIVE WHEN U.S. COMPANIES ARE GIVEN THE OPPORTUNITY TO PARTICIPATE IN INFRASTRUCTURE PROJECTS SUCH AS NUCLEAR POWER PLANTS WHERE U.S. TECHNOLOGY IS CLEARLY SUPERIOR.

WE, OF COURSE, AGREE ENTIRELY THAT MUCH MORE NEEDS TO BE DONE IN THE AREA OF TECHNOLOGY TRANSFER. THE U.S. WILL CONTINUE ITS PROGRAMS TO HELP ACHIEVE THIS RESULT INCLUDING EXIM FINANCING, TRADE MISSIONS, TRADE FAIRS, AND SCIENTIFIC AND TECHNOLOGICAL RESEARCH PROGRAMS. WE WILL OF COURSE DO WHAT WE CAN TO ACCELERATE THE INFLOW OF PRIVATE CAPITAL FOR JOINT VENTURE INVESTMENTS AND CO-PRODUCTION ARRANGEMENTS WITH YUGOSLAV FIRMS.

D. QUESTION: ALTHOUGH MANY U.S. TOURISTS VISIT YUGOSLAVIA EACH YEAR, IT SEEMS THAT IN THIS AREA TOO, THE FULL POTENTIAL IS FAR FROM BEING ACHIEVED. WHAT SHOULD BE DONE FURTHER? DO YOU THINK THAT BETTER TRANSPORTATION SOLUTIONS (CHARTER FLIGHTS) COULD BRING ABOUT MORE LIVELY TOURIST EXCHANGE BETWEEN THE TWO COUNTRIES?

ANSWER: WE AGREE WITH YOU THAT THE FULL POTENTIAL FOR U.S. TOURISM IN YUGOSLAVIA IS STILL FAR FROM BEING ACHIEVED. THE AIR CHARTER AGREEMENT WHICH THE TWO GOVERNMENTS SIGNED ON SEPTEMBER 27 SHOULD HELP IN THIS RESPECT. IN THE MAIN, YUGOSLAVIA SHOULD DO A GREAT DEAL MORE ADVERTISING AND TOURIST PROMOTION IN THE UNITED STATES. PRICES OF COURSE, ARE A PRINCIPAL FACTOR IN TOURIST CHOICE. IF YUGOSLAVIA CAN MAINTAIN COMPETITIVE PRICES, AMERICAN TOURIST TRAFFIC WILL INCREASE. WITH CURRENCY REALIGNMENTS WE SUSPECT THAT THE AMERICAN TOURIST WILL BECOME MORE OF A BARGAIN HUNTER. FINALLY TO INSURE RETURN OF THE INITIAL AMERICAN TOURIST, YUGOSLAVIA SHOULD CONSIDER MORE INVESTMENTS IN THE KINDS OF FACILITIES THAT AMERICAN TOURISTS LOOK FOR WHEN THEY GO ABROAD -- SWIMMING POOLS, GOLF COURSES, RESTAURANTS AND THE LIKE. WE UNDERSTAND THAT THE DEVELOPMENT POTENTIAL FOR TOURISM IN YUGOSLAVIA IS ON THE ORDER OF \$2.4 BILLION ANNUALLY. THIS INCOME CAN BE OF SUBSTANTIAL ASSISTANCE TO YOUR INDUSTRIAL AND AGRICULTURAL DEVELOPMENT PLANS.

E. QUESTION: WHAT CAN DEVELOPING COUNTRIES EXPECT OF MULTILATERAL TALKS RECENTLY OPENED IN TOKYO?

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ANSWER: AS STATED AT THE TOKYO MINISTERIAL MEETING, THE UNITED STATES SUPPORTS EFFORTS TO GIVE THE LESS DEVELOPED COUNTRIES ACCESS TO FOREIGN MARKETS. WE BELIEVE THAT THE NEW ROUND OF TRADE NEGOTIATIONS SHOULD PROVIDE MAJOR IMPROVEMENTS FOR THE DEVELOPING WORLD, INCLUDING SPECIAL PREFERENCES AND REDUCTION IN NON-TARIFF BARRIERS. TRADE LEGISLATION NOW PENDING IN THE U.S. CONGRESS CLEARLY DEMONSTRATES OUR COMMITMENT TO A SYSTEM OF GENERALIZED TARIFF PREFERENCES, CREATING NEW EXPORT OPPORTUNITIES FOR LDCS, RAISING THEIR FOREIGN EXCHANGE EARNINGS, AND PERMITTING THEM TO FINANCE HIGHER LEVELS OF IMPORTS ESSENTIAL FOR RAPID ECONOMIC GROWTH.

THE UNITED STATES WILL CONTINUE TO BEAR ITS FAIR SHARE OF BILATERAL AND MULTILATERAL AID FOR THE DEVELOPING COUNTRIES. IT IS UNWISE, HOWEVER, TO OVER-EMPHASIZE THE AMOUNT OF GOOD THAT DEVELOPMENT AID CAN DO. TOTAL DEVELOPMENT AID PROVIDED BY ALL OECD COUNTRIES REPRESENTS ONLY 2 PERCENT OF GNP OF DEVELOPING COUNTRIES.

TRADE AND AID NEED TO GO HAND-IN HAND WITH PRIVATE INVESTMENT. INVESTMENT PLANNING THAT IDENTIFIES THE MOST EFFECTIVE AND PRODUCTIVE ECONOMIC ACTIVITIES IN LDCS AND BRINGS IN THE CAPITAL TO HELP DEVELOP THESE ACTIVITIES CAN CONTRIBUTE VERY SIGNIFICANTLY TO THE COUNTRIES' ECONOMIC DEVELOPMENT EFFORT.

WE CONTINUE TO URGE THE LESS DEVELOPED COUNTRIES TO PLAY A CONSTRUCTIVE ROLE IN THE HIGHLY IMPORTANT TRADE NEGOTIATION NOW

COMMENCING. WE ARE CONFIDENT THAT YUGOSLAVIA WILL EXERCISE ITS INFLUENCE TOWARD CREATION OF A NEW WORLD ECONOMIC STRUCTURE PROVIDING TO ALL COUNTRIES THE OPPORTUNITY FOR STABLE GROWTH AND PROSPERITY.

F. QUESTION: HOW DO YOU VIEW THE PRESENT MOMENT IN THE INTERNATIONAL MONETARY SITUATION? WOULD THE NEWEST SOLUTIONS, IN YOUR OPINION, BE OF A LONGER DURATION THAN THOSE PRECEDING THEM?

ANSWER: THERE SEEMS TO BE BROAD AGREEMENT THAT TRADE AND MONETARY REFORM MUST PROCEED BY PARALLEL EFFORT. THERE CAN BE NO EFFECTIVE MONETARY SYSTEM WHEN TRADE IS RESTRICTED. THERE CAN BE NO SUCCESSFUL LIBERALIZATION OF WORLD TRADE WITHOUT A DURABLE AND EQUITABLE MONETARY SYSTEM. THE SUCCESS OF THE NEW SYSTEM WILL LIMITED OFFICIAL USE
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CERTAINLY DEPEND ON PROGRESS IN DISMANTLING TRADE BARRIERS AND OTHER ACTIONS TO RESTRUCTURE WORLD ECONOMY. END QUOTE.

2. AS INDICATED IN REFTTEL, THE YUGOSLAV ECONOMIC DAILY DESIRES TO PUBLISH REPLIES DURING THE WEEKEND OF SECRETARIES SHULTZ/DENT VISIT: WE WOULD THEREFORE APPRECIATE EARLY CONCURRENCE OR COMMENTS.
TOON

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